

## Child Care Provider Hearing on 5/17/06

- My name is Robin Slaton, I am here representing Advocates for Better Child Care, plus I own a child care center that operates extended hours.
  - I was a state employee for over 12 years and left state government in 1998 to full fill my vision of opening an extended hour child care facility.
  - My goal has been to provide care for low income families, as many times child care is one of the only consistent and stable part in these children's lives.
  - I employ up to 30 people and provide care for up to 200 children in a day – 90% of our business income comes from DHS assisted families.
  
- I have provided copies of both ABC handouts and this testimony.
  
- Today I am here as a business owner who is giving it a fighting chance to stay alive in the midst of Michigan's economy, Michigan's child care policies, minimum wage increase and a provider payment system that is known as the worst in the United States
  
- With this grim outlook I am asking each of you to take a look at this serious situation going on in our state regarding child care
  
- Another center director and myself have traveled throughout the state networking with over 400 center providers: There are 6 main concerns facing Michigan's child care industry:
  1. The states current provider payment system being an hourly system instead of weekly as the industry and the rest of the nation operates
  2. No child care rate increases in over 13 years
  3. The proposed licensing rules for centers will cost centers a significant amount of money annually.
  4. The minimum wage increase will affect some centers by as much as \$30,000 annually.
  5. The current DHS family authorization process takes up-to 45 days to even know if a family will be authorized for child care assistance causing providers to gamble every time they say "yes" to a DHS family.
  6. DHS is addressing the child care provider billing system with fraud investigations and prosecuting providers instead of providing training and education.

All of these significant issues will make it impossible for many child care owners to fulfill their requirements of their business plans and mortgages – forcing many centers to close.

- Please do not continue on the same path of setting this industry up to fail – someone must care about Michigan’s most valuable resource – our children and the businesses that provide care for them.
- The current DHS provider payment system is not working for the entire industry: DHS, providers or families. This statement is based on the following facts:
  - DHS has told ABC they have lost control of the child care payment system. Due to this, DHS has significantly increased the time and money to conduct audits on providers.
  - DHS has also informed ABC that if the provider payment system were to change to a weekly system it would be a better system for all and cut down on the fraud allegations/investigations.
  - What we have found as we have networked with other providers across the state is that providers are billing incorrectly because there is confusion about the correct billing procedures DHS does not offer any billing training – even when we have asked for it
  - Often times when providers ask caseworkers how to bill, they are misinformed and told ways to bill that are actually considered fraud by the department
    - The current provider payment system is not working for DHS
- Families suffer greatly with the current provider payment system as the industry runs on a weekly pay basis, but with the current system DHS will only pay for care if your child is in care or sick, which means families are billed for any hours that are not covered by DHS. This is a bill families incur regularly that is not figured into their household budget, adding to their financial hardship.
  - The current provider payment system is not working for Michigan’s neediest families.
- Providers are penalized for caring for DHS families as the provider payment system is not set up to guarantee weekly payments for each child the way the industry operates. This system does not allow child care businesses to budget like other Michigan businesses.
  - The current provider payment system is not working for child care providers.
- The number one solution to all of the above issues is to change the provider payment system to a weekly system as the industry and the rest of the nation operates.

This should be a small change compared to the huge impact it would have on our industry. This change would allow child care businesses to budget and address the immediate concerns providers have regarding the proposed licensing rule costs and give us a fighting chance to survive the minimum wage increase.

DHS has been telling us for over 18 months that they are looking at changing the provider payment system to a weekly system, it's time to quit looking and do something – it's hard to fulfill the slogan “no child left behind when the entire industry is left behind.”

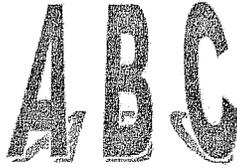
Is one of the reasons DHS has not increased provider rates due to the Quality Rating System that is being proposed? I believe DHS should consult providers on their thoughts regarding this type of system.

Our #1 goal outside of getting an immediate change in the provider payment system is to partner with DHS. We want this industry to be successful for all of us. Providers would like to have focus group sessions with DHS licensing and DHS billing so we can be a professional resource to each other and assist each other in meeting the needs/requirements that each of us has.

If there is no change in the provider payment structure by this October when minimum wage increases, I will be forced to do one of 2 things in order to continue to operate a successful child care business –

1. Re-locate to a cash pay area.
2. Move to a state that will welcome what I have to offer.

We as a team can set this industry up to succeed, will you partner with us?



*"Advocates for Better Childcare"*

# Helping Child Care In Michigan Succeed

Department of Human Services  
child care provider payment system  
penalizes providers for caring for  
Michigan's neediest children

Prepared by  
Advocates for Better Child Care

April 2006

## Provider Concerns Regarding DHS and Child Care

- Michigan has the worst child care provider payment system in the United States as providers receive payment using an hourly rate, rather than daily or weekly as is an industry standard.
- Child care provider payment rates are 30% less than current market values and have not changed in over 13 years which leaves the entire industry behind.
- Proposed rule changes which limit group sizes and reduce ratios will affect the ability for child care centers to financially support quality early education and child care.
- DHS is planning to publicize "Child Care Fraud in Michigan" through posters and literature to parents which causes customers to question provider integrity.
- What DHS calls fraud (see attachment 5 from DHS Presentation to the Joint House and Senate Appropriations Subcommittee), providers call lack of training, knowledge, mistakes and human error.
- DHS is addressing the child care provider billing system problem with fraud investigations and prosecuting providers instead of training and educating providers. Once the investigation process begins, there is a level of stress to families, staff and employers that is indescribable.
- Across the state, many providers are billing incorrectly (not fraudulently) and there is confusion on the correct billing procedures as DHS offers no training.

## Other Obstacles for Child Care in Michigan

- Michigan's economy
- Minimum wage increase - affecting some centers by as much as \$30,000 annually
- Michigan Early Childhood Investment Corporation (ECIC) plans to work with and fund early education through the intermediate school districts

## What Providers Need from DHS

- A weekly or daily billing system:
  - Would help eliminate fraud allegations
  - Would allow businesses to budget
  - Would allow centers to afford to comply with new licensing rules
  - Would allow centers a fighting chance to meet the demands of the new minimum wage increase
- Training for all providers on CDC billing procedures
  - Would help eliminate fraud and the costs involved with investigations
- A more timely authorization process that would eliminate some of the gambling that providers take each time they say "yes" to a DHS family.
  - A 24-hour notification system when a family is no longer eligible for DHS child care assistance

- An improved authorization system giving providers notification of family status quicker than 45 days.
- Establish a partnership between providers, licensing and billing to help meet the needs of the industry.
  - Quality of child care would improve if the professionals from all disciplines, including child care providers, were included in the decision-making and rule making processes
- Family and group homes should not be reimbursed at the same rate as centers, because centers must comply with much more stringent rules and regulations.
  - Family and group homes are more likely to bill by the hour, and centers by the day or week.

If you have additional questions, please contact *Advocates for Better Childcare*.

Robin Slaton     517. 887.2374

Lisa Leonard     517.482.0082

**DEPARTMENT OF HUMAN SERVICES - CHILD DEVELOPMENT AND CARE  
Fraud Prevention and Recovery Efforts (Attachment 5)**

**Fraud Prevention Efforts**

event	estimated yearly savings/cost avoidance
Changed part/full-time to part/full/overtime authorizations. 8/2002	\$18.7 million (see Note 1) may be due to these two items.
Added CH-420 red flag report 10/2002	
Eliminated overtime hours, 10/2003	\$3.5 million (see Note 2) may be due to these two items.
Changed to 4 authorization levels: 30, 50, 75, 100 in 4/2004	
Reset provider billing PINs, 7/2004	
Assigned 2 OIG agents exclusively to CDC fraud referrals, 10/2004	
Began Reverse Wage Match, 11/2004	\$24.7 million (see Note 3) may be due to these five items.
Day Care Aide Age Requirement - increased from 16 to 18, 1/2005	
Back Billing - limited to 90 days in past (changed from 12 months), 1/2005	
Expanded Front-End Eligibility Project by adding 18 additional OIG agents, 1/2006	no projection available
Hours Limited per Provider - aides/relatives 600, family homes 900, group homes 1,800. 1/2006	projected savings of \$2.3 million over 12 months (see Note 4)
Criminal History Check - expanded to include 93 added felony and misdemeanor crimes, 1/2006	no projection available
Provider Address Maintenance - On returned mail, central office disenrolls if current address cannot be obtained, 1/2006	no projection available
Fraud Prevention Poster - still in development as of 3/13/06	no projection available

Note 1: Paid hours per family declined by 3.93% from FY 2002 to FY 2003. Multiplying 3.93% times 2003 subsidy spending gives \$18.7 million.

Note 2: Average hours paid per family per month fell 0.72% from FY 2003 to FY 2004. Multiplying 0.72% by 2004 subsidy spending gives \$3.5 million.

Note 3: \$24.7 million is the difference between FY 2004 and FY 2005 subsidy spending.

Note 4: Paid hours over the caps cost \$87,000 in pay period 519 (9/4/05 - 9/17/05). \$87,000 times 26 pay periods = \$2.3 million.

**OIG Investigation Outcomes**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Fraud Identified	\$ 454,835	\$ 691,197	\$ 3,769,511	\$ 577,139	\$ 3,389,412	\$ 9,234,658	N/A
Restitution	\$ 141,277	\$ 241,423	\$ 464,316	\$ 1,491,052	\$ 902,976	\$ 3,769,991	N/A



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## **Helping Child Care In Michigan Succeed**

The current DHS provider payment system is not working for the entire industry: DHS, providers or families.

1. ABC has met with DHS employees listed on the attached sheet. We were informed that if the provider payment system were to change to a weekly system it would be a better system for all and cut down on the fraud allegations/investigations.

DHS informed us that they were and are under fire because they have lost control of the child care payment system. DHS has significantly increased the time and money to conduct three different types of audits:

- a. Office of Inspector General
- b. Internal Audit
- c. Office of Auditor General

ABC has been told for the past 18 months that the provider payment system would be changed. We were even given two implementation dates, 10/1/05 and 1/1/06. Both dates have come and gone and nothing has changed.

DHS has told ABC that we need to make noise with the legislators if we want change because they do not have the funds to change to a weekly provider payment system. When asked what the cost would be, an answer has not been given. The child care industry continues to suffer and stay under "fraud" scrutiny.

DHS is addressing the child care provider billing system with fraud investigations and prosecuting providers, not by providing training and education. Across the state providers are billing incorrectly because there is confusion about the correct billing procedures.

The current provider payment system is not working for DHS.

2. Families suffer greatly with the current provider payment system as the industry runs on a weekly pay basis. With the current system, DHS will only pay for care if your child is in care or sick not at family funeral, grandparents house, or home because of a sick parent or sibling. This system means families are billed for any hours that do not fall into the above categories. This is a bill families incur regularly that is not figured into their household budget, adding to their financial hardship.

The current provider payment system is not working for Michigan's neediest families.

3. Providers are penalized for caring for DHS families as the provider payment system is not set up to guarantee weekly payment for each child the way the industry operates.
  - a. This system does not allow child care providers to receive the proper payments for DHS assisted families.
  - b. Portions that DHS does not pay gets billed to families, but families cannot afford to pay for child care out of their pocket, leaving the provider unpaid.
  - c. This system does not allow child care businesses to budget like other Michigan businesses.
  - d. Providers across the state are billing incorrectly and there is great confusion. Training of correct billing procedures is a not provided by DHS.

The current provider payment system is not working for child care providers.

**Example of typical payment scenario:**

Infant Slot full-time = 50 hours per week

Center Rate: \$180 per week

DHS Provider Payment Rate at 100%:

\$147.50 if child in care all scheduled hours, if not then what DHS pays will decrease by the number of hours child not in care

Parent Co-pay: \$32.50 per week if child is in care all scheduled hours, but if not then parent's weekly co-pay goes up depending on what DHS pays

**Solutions for the DHS Provider Payment System**

1. We are the only state in the United States with an hourly provider payment system, one that is not working for any member of the industry – DHS, families or providers.
  - We have met with the attached list of people to discuss the provider payment system. Many have already stated that a weekly provider payment system would be better for the industry and cut back on fraud allegations/investigation.
  - The number one solution to all of the above issues is to change the provider payment system to a weekly system as the industry and the rest of the nation operates.
  - This change would also address the immediate concerns providers have regarding the October 2007 minimum wage increase and new licensing rule requirements that are proposed for centers.
2. The second solution would be to schedule some focus group sessions between center providers, DHS licensing and DHS billing so we can begin to build unity in this industry and get an understanding of each others needs/requirements.



*“Advocates for Better Childcare”*

**ABC has met and/or spoke with the following people regarding our provider payment concerns:**

Representative Murphy  
Representative Cushingberry  
Representative Kolb  
Representative Stahl & Staff  
Representative Caswell  
Representative Hummel’s Staff  
Representative Spade  
Representative Shaffer  
Representative Kooiman  
Spoke at House of Representatives DHS Appropriations Hearing  
Senator Scott  
Senator Hardiman’s Staff  
Spoke at Senate DHS Appropriations Hearing

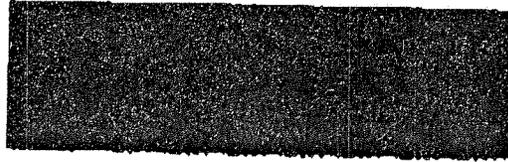
Steve Manchester, Michigan AEYC  
Mark Sullivan, Michigan 4-C’s

Ron Hicks, DHS Legislative Liason  
Kristen McDonald-Stone, DHS Executive Office  
Don Mussen, Acting Director of Family Support Services for DHS  
Patrice Eller, Executive Office DHS Policy  
Melody Sievert, DHS Child Development & Care Supervisor  
Karen Golejewski, DHS Child Care Help Desk  
Jim Nye, DHS Director of Field Operations  
Suzanne Hull, DHS Ingham County Director  
Jane Bartlett, DHS Ingham County Supervisor  
Jim Sinnamon, DHS Child Care Licensing  
James Gail, DHS Child Care Licensing  
Wendy Griffen, DHS  
Mauren Sorbert, DHS  
Caprice Daniel, DHS

If you have any questions regarding this document, please contact:  
Lisa Leonard 482-0082  
Robin Slaton 887-2374

**Kid's Korner Child Care Center**

2814 Greenwood Road  
Prescott, MI 48756  
Phone: 989 873-8906



To: Robin

From: Wava Fischer

Date: May 17, 2006

Re: Child Care Concerns

Robin,

I had planned to attend today's session, but my daughter Lindsey awakened in the night with elevated blood sugar levels. I need to be within a 30-minute radius of her today to oversee her diabetic plan. Sorry I cannot come.

I spoke with directors of the following centers

Center	Capacity	Employees
Wee Wesleyan Learning Center	35	5
Animal Crackers	35	6
Miss Sues Kid's Zone	40	6
Kid's Korner Child Care Ctr.	47	8
Rainbow Child Care	75	10

The main concerns are as follows:

Guaranteed weekly compensation rates from DHS

Parent's Income Eligibility based on the current Income Guidelines when the new minimum wage increase takes effect in October. Many families will automatically be ineligible. I think DHS needs to have new income guidelines in effect and that parents be given a 6 month to 1-year grace period.

Education requirements for employees are going to be very expensive. Current employees who are not High School graduates, but are willing to get college credits and CEU's should be exempt from having to go back and complete their GED or High School Diploma.